



National Farmers Union

Testimony of Tom Buis

Before the

U.S. House Committee on Small Business

Family Farmer and Rural Small Business Priorities

for the 2007 Farm Bill

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STATEMENT OF TOM BUIS
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U.S. HOUSE COMMITTEE ON SMALL BUSINESS
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FOR THE 2007 FARM BILL
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Chairwoman Velazquez, Congressman Chabot and members of the committee, thank you for the opportunity to testify regarding family farmer priorities for the 2007 Farm Bill. My name is Tom Buis, and I am the President of the National Farmers Union (NFU). I commend you for holding this hearing and look forward to working with you to build support for an efficient and effective 2007 Farm Bill.

NFU is proud to be an organization whose policy positions truly come from producers. Policies are written on local, regional, state and ultimately the national level. Last year, NFU held a series of farm bill listening sessions around the nation to gather input from farmers, ranchers and people who live and work in rural America. Our policies were formally adopted at our annual convention in early March of this year.

The general principles for the next farm bill, as approved at our convention, state that independent family farmer and rancher owned and operated food, fuel and fiber production is the most economically, socially and environmentally beneficial way to meet the needs of our nation. We recognize that the economy of rural America continues to face the challenges of increasing input expenses, weather-related disasters and inadequate market competition. We are concerned that the 2002 Farm Bill suffered disproportionate budget reductions during the 2006 budget reconciliation process and additional cuts through appropriations bills, despite saving more than \$23 billion as a result of the commodity title. As part of the next farm bill, NFU encourages Congress to establish programs that return profitability and economic opportunity to production agriculture and rural communities.

Without a doubt, the number one priority for the new farm bill should be profitability. Profits from the marketplace are where every farmer or rancher wants to receive their income, not from the government. Specifically, we support a new farm bill that includes the following provisions:

- A farm income safety net that uses counter-cyclical payments indexed to the cost of production to support family farmers during periods of low commodity prices;
- A farmer-owned Strategic Biofuels Feedstock Reserve tied to the needs of producers who utilize agricultural products, livestock feed consumers and food manufacturers, which protects against years of poor crop production, with storage payments set at levels equal to commercial storage and adequate release levels that encourage fair market prices;
- A renewable energy title that makes energy independence a national priority, one that prioritizes and facilitates farmer, rancher, and community ownership of

- renewable energy and value-added projects, including ethanol, biodiesel and farmer and community-owned wind energy;
- A comprehensive competition title that addresses current anti-trust practices and ensures anti-trust laws will be enforced;
 - A permanent disaster program, funded from the general treasury in the same manner as other natural disasters so that agricultural disaster assistance does not require “offsets”;
 - A conservation title that provides adequate funding to support authorized programs, as intended by Congress. The title should include full funding for the Conservation Security Program (CSP), substantial increase in the funding for the Natural Resources Conservation Service (NRCS), technical services to assist farmers and ranchers in the development and implementation of conservation cost-share programs;
 - A strong nutrition title to help provide basic food and nutrition needs for citizens of all ages, especially our young, elderly and physically handicapped;
 - Dairy programs that include a strong safety net and a supply management system to protect producers from a market collapse. Dairy prices should reflect cost of production shifts for producers;
 - A rural development title that helps farmers, ranchers and rural citizens develop new and better economic opportunities to support and build the economic base of rural America.
 - New resources and other efforts to add differentiated value to family farms for the sustainability and competitiveness of specialty crops, livestock and seafood; and
 - Budget scoring that is not based upon World Trade Organization (WTO) methodology.

A New Counter Cyclical Program with Permanent Disaster Assistance Could Save Money

Most would agree that the 2002 Farm Bill has worked well. The irony is that the program worked so well, relying primarily on the counter-cyclical nature of the program, that it did not actually expend the resources contemplated. As a result, under current budget guidelines, Congress has a reduced budget baseline for which to write the 2007 Farm Bill. It is a shame that budget rules short-change fiscally responsible programs such as the 2002 Farm Bill. The 2002 legislation saved billions of dollars as producers received their income from the marketplace they wanted to. If all federal programs were as fiscally responsible, we would have a budget surplus, as opposed to a deficit.

Since Congress is faced with crafting a new farm bill with significantly diminished resources, it appears that we will not have the money to keep the current safety net. When it became apparent that the budget baseline for commodity programs would be less, NFU began exploring other alternative safety net proposals that would cost less, but still provide the same level of support as the current commodity programs. We commissioned an economic study that looked at adding a cost of production component, set at 95 percent of the cost of production, to a purely counter-cyclical safety net.

This proposal allows for increased input costs to be reflected in a counter-cyclical payment in the event that prices drop below a certain level. It would guard, for example, against sharp increases in energy prices like we witnessed in 2005 and are seeing again this year.

According to the economic analysis and modeling conducted by Dr. Daryll Ray, at the Agricultural Policy Analysis Center, University of Tennessee, the proposal would provide the same level of safety net as provided by the current farm bill, plus save \$2 to \$3 billion per year. This level of protection and savings is achieved by providing federal assistance only when commodity prices are low, thus eliminating the difficult to defend direct, de-coupled, guaranteed payments of the current program. Direct payments are challenging to justify when prices are high; yet when prices are low, direct payments do not provide adequate protection for producers.

The University of Tennessee study, which used the February 2007 USDA baseline updated to include the March 30, 2007 planting intentions, documents that the amount of savings under this proposal could provide the resources to fund a permanent disaster program and allow other saved resources to be used for high priority programs.

NFU considers permanent disaster assistance a critical and inseparable part of an adequate safety net. We urge Congress to approve a permanent disaster provision so that ad hoc disaster assistance legislation becomes a thing of the past. Producers need some certainty. Again, under the suggested proposal, the savings from the direct payments can be used for the cost of production based counter-cyclical program and a permanent disaster program and still yield savings. These savings could be used for priorities such as renewable energy, conservation, specialty crop producers, rural development and research.

The Challenges and Opportunities for the Livestock Sector -- Ensuring Fair Competition

NFU has commissioned an ongoing study on concentration levels throughout different agricultural sectors. We started tracking this data in 1999 because no such information was available to the public. NFU continues to fund the research, which serves as a platform for the historical analysis of concentration in agricultural markets. The study was conducted by Drs. Mary Hendrickson and William Heffernan from the University of Missouri Department of Rural Sociology. Results reveal that since our last study in 2005 the top four firms in most agricultural sectors have continued to increase their stronghold on the marketplace.

To date, the top four beef packers dominate 83.5 percent of the market, four pork packers control 66 percent of that market, and the top four poultry companies process 58.5 percent of the broilers in the United States.

Interestingly, ethanol production is an area of agriculture in which concentration has steadily decreased. A decade ago, the top four companies owned 73 percent of the ethanol market. Today, the top four companies control 31.5 percent of the ethanol produced. The increase in ethanol production competition is directly related to the high number of farmer-owned ethanol cooperatives across the country. Farmer-owned ethanol plants account for 39 percent of total capacity. Competitiveness in the ethanol arena serves as an excellent example of the impact on and potential for public policies that encourage diversification and discourage monopolization in our food system. Independent producers cannot be successful in the absence of protection from unfair and anti-competitive practices.

NFU recommends the 2007 Farm Bill include a new title to help restore competition to our markets and end the fast-pace of consolidation in agricultural markets. We believe a comprehensive Competition Title should accomplish the following:

- Immediately implement mandatory country-of-origin labeling (COOL) for meat, produce and peanuts;
- Require USDA and all federal agencies enforce the Packers and Stockyards Act and other antitrust laws;
- Ban packer ownership of livestock to ensure independent producers have a place in the future of livestock production;
- Restore competition by requiring contracts be traded in open, transparent and public markets where all buyers and sellers have access to the same information;
- Increase oversight and enforcement of the Livestock Mandatory Price Reporting Act;
- End the ban on interstate shipment of meat to increase competition and economic, marketing and trade opportunities for rural America;
- Reform mandatory checkoff programs to ensure only U.S. products are promoted and further reform to restore accountability of these programs;
- Enhance contract producer protections by allowing adequate time to review contracts, prohibit mandatory arbitration, protect producers' membership in an organization or cooperative and prohibit confidentiality clauses; and
- Prohibit forward contracting of dairy products within the Federal Milk Marketing Order system.

Fuels from the Farm

There are two very exciting economic opportunities for producers in rural America. The first is renewable energy or fuels from the farm. This movement is being led by ethanol, but also includes wind, cellulosic and biodiesel efforts. The endeavor is not new. Farmers have wanted to be part of our energy solution for more than 30 years. Through decades of toil, they have finally become full partners in this important effort. They are helping to alleviate our reliance on some of the most troubled regions of the world and produce fuels from the farm that will continue to assist us in the future.

As previously stated, this did not happen overnight. It took decades to combine public policy with farmers' initiative and risk taking. In earlier days for example, ethanol was neither energy-efficient nor economically viable. However, the current climate is different, due in great part to the tireless work and investment of family farmers. In my opinion, we have the greatest economic opportunity for farmers and rural communities in my lifetime. Not only is the demand for biofuels driving higher prices for corn, but it is also realizing better prices for soybeans, wheat, milo, oats and rye.

We shouldn't let anything get in the way of using fuels from the farm and becoming a more energy independent nation. As we do so, I respectfully urge you to ensure that ownership remains in the hands of local farmers and rural residents. When money stays in rural communities, it makes a real difference in the lives of rural citizens. All too often we see large conglomerates invest in rural areas, but all of the profits leave without being re-invested in the local economy. I encourage the committee to work with their colleagues in the agriculture sector to ensure that USDA rural development and other departmental programs that are used for renewable fuels give a competitive advantage to farmer-owner and locally-owned efforts. This is one significant, but important, provision that can be added to the 2007 Farm Bill.

Buy Fresh -- Buy Local

The second exciting economic opportunity for producers is the consumer demand for fresh, source verified, direct from the farm food. It is the fastest growing segment of the food business.

A producer's price is based upon quality and freshness; in turn, consumers and their families receive high quality, fresh products they want and can trust. That is why there has been an explosion in urban farmers markets and direct selling by farmers to consumers, retailers and restaurants. It is why restaurants like Agraria in Georgetown, owned by Farmers Union members, is doing so well.

Consumers want to know where the food they feed their families comes from. Moreover, they are willing to pay for it. Producers no longer have to go on bended knee asking what they can receive for a product. They are now beginning to be price-makers, not price-takers. In fact, a poll conducted shows that 83 percent of consumers want to at least know what country their food comes from. More importantly, 81 percent say they are willing to pay more for it. That is one of the reasons that we urge Congress to ensure that mandatory country-of-origin labeling (COOL) is implemented as soon as possible. As you know, it is working well for seafood. There is no reason it should not be working for the other covered commodities.

Madame Chairwoman, fuels from the farm, and the buy fresh -- buy local movement represent enormously positive developments for producers and our nation. This Congress should do all it can to encourage those efforts in a thoughtful fashion to ensure both are continued in decades to come.

Expanding Broadband Access in Rural America

The future of rural America, particularly family farmers and ranchers, depends on high-speed access to the internet. In 2005, the National Agricultural Statistics Service (NASS) conducted a study on farm computer usage and ownership. While the results showed that 51 percent of U.S. farms had internet access, further investigation uncovered that dial-up was the most common method of accessing the internet with 69 percent of U.S. farms. It is encouraging that more farmers and ranchers gain computer accessibility each year, either through ownership or leasing of computers or through community programs. However, it is alarming that the vast majority of them must do so at the slowest connection speed possible.

NFU supports efforts to provide competitively priced, high-speed broadband internet access for rural America. We urge collaborative efforts and public-private initiatives that leverage internet based technologies and use the internet to improve communications, reduce costs, increase access and grow farm businesses for producers and their cooperatives. Illinois based NOW Wireless, LLC, and the Missouri Farmers Union, in response to the demand for affordable, modern telecommunications access for farmers and residents living in remote areas, helped establish USA Broadband, LLC (USAB). USAB has partnered with subscriber based cooperatives and developed successful networks that are making this access possible. To date, USAB is the premier provider of high-speed wireless broadband internet, voice communication and video services to rural communities. The company maintains its focus on providing a superior broadband product backed with exceptional customer care.

The internet is a necessary tool for farmers and ranchers, who will be at an economic and competitive disadvantage if unable to use the same high-speed internet connections that are available to other small businesses around the country. Farmers and ranchers rely on the internet to check weather, market and crop reports and search for suppliers of feed and equipment. Furthermore, family owned farming businesses need real-time access to online banking, accounting, order fulfillment and freight forwarding. Given the current economic climate, it is imperative that producers devote as much time as possible to marketing their products and exploring new markets. The ability to conduct financial transactions online would save individual producers hours of administrative work and translate into tremendous financial incentives at the farm level.

Access to broadband is imperative if we are to renew the rural landscape. Retaining and attracting aspiring young farmers and rural entrepreneurs is essential to securing a sustainable rural economy. NFU has developed local, community based cooperatives that produce and process food with the wholesomeness and integrity that consumers demand. Broadband services provide the link between these collective entrepreneurial businesses in rural areas to consumers throughout the country.

NFU's www.e-cooperatives.com is the world's first innovative portal to directly locate and buy quality food products, plus other goods and services, online from hundreds of U.S. agricultural producers and their co-ops in rural America. Both producers and consumers are able to access the www.e-cooperatives.com database via searchable categories for American family farms, ranches, cooperatives and rural businesses according to location, type of business, growing practices, available products, specialty goods and niche items. The E-Commerce Timeline Learning Model guides producers through every step of the process, from planning to web development and product design to marketing. This site originated as a technical assistance project of NFU and was initially funded in part by grants from USDA's Rural Development agency. By eliminating the digital divide and providing more rural areas with high-speed internet access, we can help producers market and sell their high quality products and educate consumers about the value of family farms and ranches.

Internet Service Providers do not deny that there is a need for expansion into less urban areas, but investing in rural America needs to be attractive to investors and providers. Technical assistance is important. Broadband access cannot be expanded without providing the support infrastructure necessary to make it successful. High-speed access is a wonderful tool, but significant administrative challenges of getting into the homes of agricultural producers must be addressed. A single broadband company with a monopoly would have no incentive to maintain the same level of service offered to subscribers in heavily populated areas or to provide any service to sparsely populated areas; mergers and consolidations that remove or limit competition in rural markets should not be permitted.

It is important to get an accurate portrayal of where the neediest areas are and how to provide broadband technology in those areas. Investigation into broadband access in rural areas reveals that most beneficiaries reside in larger towns.

Service providers tend to exercise great selectivity in the sectors of rural America in which they invest. As producers, we face great obstacles in attracting adequate financing and equity investment for broadband buildout in under-served areas. One solution is to establish federal incentives or tax credits to investors who supply equity to rural broadband initiatives in under-served areas. Similarly, federal loan guarantees or a reduction of the required equity match of the USDA Rural Utilities Service (RUS) program from 20 percent to one percent could make expansion projects more attractive and viable. I encourage you to evaluate these respective funding commitments and give consideration to decreasing the amount of money from state resources and mandate the federal government provide the maximum amount of funding possible.

Similar to the first days of electricity, rural America is being left behind. It should be a national priority to include rural areas of the country in broadband buildout. Rural access to advanced telecommunications provides tools for enhanced medicine and education. The slow pace of rural broadband expands the educational divide in our country. Reliable access opens the door for distance learning opportunities in rural schools. As a family farmer, I am greatly concerned that lack of high speed access is driving the

younger generation out of rural America and into more urban environments. Better broadband means a better place to live, increased entrepreneurship and retention of young people. High-speed internet connections make it more appealing for other businesses to enter rural areas that would otherwise refrain from establishing commercial outlets.

We applaud the efforts of the farmers and ranchers who have taken the initiative to work toward a reliable and affordable expansion of broadband technology. In fact, the genesis for the most successful cooperative efforts can be found on the farms and ranches of rural America, not in the bustling urban areas of the nation.

NFU supports a strong 2007 Farm Bill that includes key provisions to ensure farmers, ranchers and rural Americans can make a profit from the market. We are especially interested in the two areas I mentioned at the beginning of my testimony: fuels from the farm and the buy fresh buy local effort. We urge Congress to develop and fund critical research and rural development programs to ensure that these important initiatives move forward.

Madame Chairwoman, I again thank you for holding this hearing and for the opportunity to testify. I would be pleased to take any questions at the appropriate point and look forward to working with you and all members of the committee to craft a thoughtful new farm bill for our nation.